

FY17 Southside Economic Development Summaries & Committee Recommendations – December 2016

The Commission received four new funding requests this fall for the available Southside Economic Development balances (FY17 budget plus funds carried forward from previous years). Project summaries provided by the applicants, staff comments and Committee recommendations from the 12/14/16 meeting are included below for these new requests. Other Business regarding existing grants is also included.

Req #	Locality	Organization	Project Title	Allocation Available	Request Amount	Committee recommendation
3240	Appomattox	Appomattox County	Appomattox Business and Commerce Park Improvements	\$58,537	\$58,537	\$58,537
3239	Nottoway	Town of Blackstone	The Gables at Blackstone, LLC	\$915,565	\$5,000,000 Loan*	Refer to VRA for <\$5,000,000 Loan
3238	Franklin	Town of Boones Mill	Emergency Request to Continue Commercial Revitalization after Severe Weather Damage	\$958,960	\$300,000	\$300,000
3241	Brunswick	Brunswick County IDA	Build-out for Prospect at Old Southern State Warehouse	\$3,325,186	\$347,000*	\$347,000

*Indicates revised request from the original submission

Appomattox County

Appomattox Business and Commerce Park Improvements (#3240) **\$58,537 Requested**

Executive Summary Provided by Applicant: Recently a new business chose to locate at the Appomattox County Business and Commerce Park. As a result, Appomattox submitted a grant request April 2016 to VDOT for Economic Development Access Funds. Funds in the amount of \$302,543 was awarded to Appomattox based upon the new business's pledged capital outlay of \$1,515,000. Unfortunately, all the funds were earmarked for construction purposes only. Therefore, Appomattox is submitting an application to the Commission for the necessary engineering to construct a new road, up to VDOT standards, to be turned over to VDOT upon completion. In September 2016, Appomattox submitted/and received a grant application for VEDP's Site Characterization Planning Grant. A VEDP companion grant is anticipated that will provide funding to implement identified improvements to the Park. Due to increased interest in the Appomattox

Park and site development opportunities, the County is considering other master planning and financing possibilities. (See attached Project Outline).

Staff Comments: Grant funds are requested to support engineering costs related to development of the Appomattox County Business and Commerce Park. Specifically, the County has clarified that \$32,200 of the funding request would be used for road engineering, and the remaining funds would be used toward engineering for gravity sewer line connection to the pump station and for a waterline extension along West Ridge Road. Match for this request is \$302,543 from the VDOT Access Road funds which will be used for 1,500 linear feet extension of West Ridge Drive to meet the needs for a new company, Xpress Natural Gas. The application indicates the company plans to commit \$1.5 million capital investment and to create 50 new jobs with average annual wages of \$29,120. A TROF incentive of \$75K (#3004) was approved for this same prospect in December 2014, based on projections for \$6 million private capital investment and 26 jobs with average annual wages of \$40K. (The discrepancy in the economic development outcomes in this request and the earlier TROF are due to the figures in this application being based on figures derived by formula for the VDOT application.) While the company expressed interest in locating to the park a couple years ago, the County clarified that they recently exercised a second option on the property (as opposed to completing the acquisition). The county resolution included with the application identifies a second prospect for the park that would benefit from the engineering and forthcoming infrastructure improvements. The Commission has awarded three previous Southside Economic Development grants totaling \$132,287 to support engineering and infrastructure costs at the Commerce Park. This project supports the Commission's key funding priority for infrastructure relating to development of industrial parks. Under the Southside formula Appomattox County receives less than one-half of a percent of funds budgeted to the program annually. As such the available balances reflects several years of accumulated funding, and staff views supporting engineering costs for this part as a good use of limited allocation funds.

Committee recommends a grant award of \$58,537.

Town of Blackstone

The Gables at Blackstone, LLC (#3239)

\$650,000 Requested – Revised to \$5 million loan request

Executive Summary Provided by Applicant: Virginia United Methodist Assembly was constructed in the 1920s and served as a conference and retreat center until May 2016. The Gables of Blackstone, LLC is purchasing the vacant facility and is historically rehabilitating the facility into a 116 room 3-star hotel and conference center which will create 42 jobs. Not only will the facility target visitors and conferences to Blackstone and Fort Pickett; but is targeting trainees and contractors of the Department of State's Foreign Affairs Security Training Center (FASTC). This facility is being constructed on 1400 acres at Fort Pickett and will provide consolidated hard skills security and training to 10,000 foreign affairs trainees. We are requesting \$650,000 to be used toward the work associated with providing heating, ventilating, and air conditioning units costing \$1,504,054.

Staff Comments: This request supports a major gap in hotel accommodations in the Blackstone/Nottoway area. Demand for bed space is being driven by the U.S. Department of State

Foreign Affairs Security Training Center (FASTC). Construction of the \$417 million FASTC facility on 1,350 acres at Fort Pickett and Pickett Park in Nottoway County began in February 2016 and is scheduled to be completed by 2019. FASTC will provide training for ~ 10,000 students annually with average program length of two-weeks, and anywhere from 450 to 1,500 students on-site at any one time. Student accommodations are provided through the open market, for which there is currently a substantial gap in Nottoway County, and absent this being addressed the closest accommodations would be ~ 45 minutes away in Chesterfield County. The original application requested \$650,000 toward 50% of identified HVAC costs including individual heating and cooling units for the planned renovation of the VUMAC facility into a hotel property. Initially the plan was for the United Methodist Church, the non-profit owner of the VUMAC facility, to enter into a long-term lease agreement with the development group The Gables of Blackstone, LLC, which would have allowed for the requested TRRC grant funds to be invested directly into the property improvements. However, the plan now is for the property to be sold to the LLC development group. A letter from the Virginia Conference of the United Methodist Church indicates The Crescent Group (a partner in The Gables LLC) has signed a purchase agreement for the property. Given that the property will be privately owned, the Town of Blackstone and the project developers have requested a modification to the application to request loan consideration of up to \$5 million to support development of The Gables. The LLC development team has substantial experience in the hospitality industry and with using historic tax credits to fund renovations. Well-detailed operating pro forma have been provided. A letter from the U.S. General Services Administration estimated annual spending on lodging and meals related to FASTC will be greater than \$8.7 million based on average daily demand of 350 rooms per night. When it was operated by the Methodists, VUMAC was the one of the Town's largest utility customers. This request supports the key funding priority for repurposing of obsolete buildings with economic development potential; and is expected to have a substantial economic impact on the local economy and Town/County revenues by attracting visitor spending from outside the tobacco region on lodging, conferences/events, meals etc. This is also consistent with TRRC support for other historic lodging facility renovations in Southwest VA (Bristol, St. Paul, Wise etc). The \$5M loan request would exhaust the \$5M set-aside the Commission approved in 2015 for the initial VRA loans. Several other large loan requests are already in line, so depending on the size of a VRA loan offer for this project, that may necessitate revisiting the use of the current available SSED allocation for projects in Nottoway (\$915k), and/or increasing the overall set-aside for loans.

Committee recommends the revised request be referred to VRA for loan credit analysis.

Town of Boones Mill

Emergency Request to Continue Commercial Revitalization after Severe Weather Damage (#3238)

\$300,000 Requested

Executive Summary Provided by Applicant: Boones Mill is now engaged in a renovation of a 50,000 square foot commercial building to house new businesses. Construction began in September. Torrential rains on October 7 caused partial collapse of a load-bearing wall after years of degradation. Repairs and reinforcement increase project cost by about 30%. Additional funding is needed to complete the revised scope and prepare the building for two prospect firms. The 2008 housing crash killed the Champion Homes plant in Boones Mill. The town lost its only large

employer. When no private redevelopment occurred and the 73-acre plant property began to decay, the Town bought it. Commission funding helped with master planning and demolition of the worst blighted buildings. TRRC is now funding 17% of the renovation cost for Building 2. The October 7 flood incident has increased project scope. The Town requests an additional \$300,000. This would make TRRC a 28% partner by cost.

Staff Comments: The Town of Boones Mill has recently embarked on a major construction project for renovation of the 50,000 square foot Building 2 located at the Town-owned industrial park, with the objective of attracting new small businesses that will create new jobs for the region. An appraisal report identified that planned renovations are estimated to result in a market value for this building of \$4.3 million. The original \$1.438 million construction contract includes \$600K from DHCD's Industrial Revitalization Fund program, a \$600K loan through Virginia Community Capital, and a \$238K grant from the Commission (#2969- FY15 SSED). The Town has a commitment from Titan Trains to relocate their business to this site, bringing 12 jobs to the region. In addition, a letter of interest was provided with the grant application for a second prospect interested in 10,000 sq. ft. that would create an estimated 12 new jobs. Additional space would be available to accommodate other small business on the entire 2nd floor space of the building and in remaining space on the bottom floor (the current proposed location for the two prospects). The Town is requesting an additional \$300,000 from the Commission to support an unanticipated increase to project costs following a 100-year rainfall event on October 7, 2016 that caused an exterior masonry wall to collapse, after the construction contract was initiated. The total added costs to the construction contract in order to complete the renovations as originally planned is \$489,847, of which ~ \$80,000 is being covered by VML insurance for temporary structures and ~ \$109K is being added to the Town's \$600K loan with VCC. In addition to the mentioned \$238K TRRC grant, the Commission provided a \$100K grant in 2012 to support costs for master planning for the larger 73-acre property and demolition of derelict buildings. This request is consistent with the Commission's key funding priority for repurposing of obsolete buildings with economic development potential. This is a well-leveraged project with a significant commitment by the Town for debt financing in order to accomplish their economic development objectives for attracting new businesses to the town.

Committee recommends approval of a \$300,000 grant award.

Brunswick County IDA

Build-Out for Prospect at Old Southern State Warehouse (#3241)

\$347,000 Requested (increased from initial request of \$175,000)

Executive Summary Provided by Applicant: Funding is requested to assist in the improvement and build-out of an industrial space for a new small business that is locating to the Town of Lawrenceville. The business is a start-up that will produce what it refers to as healthy snacks. The business has a working relationship with a European company that also produces healthy snacks. In its business plan the business has identified the Mid-Atlantic area as its market area. The requested funds will be used to help build-out a 3,000 S.F. space that includes 500 S.F. of refrigeration space, a 400 S.F. office and the remainder will be production space built to meet VDACS requirements; e.g. sanitary requirements etc. The building is a 12,000 S.F. old Southern State warehouse.

Staff Comments: This request to renovate the former Southern States building, which is owned by the Town of Lawrenceville, is to provide space for a start-up business prospect. The initial request for \$175k was to renovate 3,000 sq. ft. for the prospect. The County IDA subsequently revised its request to seek \$347k for 50% of the costs estimated by an engineering firm to renovate 6,000 sq. ft. to allow the very long, linear production equipment that is similar in design to equipment in operation in Europe. The prospect provided an extremely thorough business plan, and is being advised by a senior project manager at VEDP, along with others in the food products industry, legal and accounting firms, Southside PDC and Virginia's Growth Alliance. The revised project financing includes a \$120k investment by the Brunswick IDA, a proposed \$25k grant from Mid-Atlantic Broadband, a \$200-400k loan from the PDC's Lake Country Development Corp. for equipment and working capital, and a reported \$80k private investment. While there is inherent risk in supporting any new start-up business, particularly one that hopes to compete in the ultra-competitive snack food space, it should be noted that TRRC funds are requested solely for engineering and renovation of the Town-owned building, which is adjacent to the Tobacco Heritage Trail and suitable for re-use in the event of a business failure. The increased grant request is significant for a company that intends to create ten jobs and have private investment of under a half-million dollars. However, the strength of the business plan, the significant market opportunity and potential for growth should the company be successful in this highly-competitive space, and the support of multiple state, regional and local economic development entities will help mitigate risk to the extent possible. This appears to be a calculated and reasonable risk for using barely ten percent of the available Brunswick allocation, assuming the company secures required matching funds sufficient for equipment and operating capital, and commits to a multi-year lease of the facility.

Committee recommends award of \$347,000 for no more than 50% of facility engineering and renovation, contingent on the prospect company securing all necessary funding for equipment and operating capital and committing to a multi-year lease.

OTHER BUSINESS

Mid-Atlantic Broadband Communities Corporation

Southern Virginia Broadband Expansion (#2467)

Current Project End Date is 1/10/2017 – Request for 6th month extension.

This grant was originally awarded funding in January 2012; however, \$1 million of the \$2.5 million grant award was transferred to support the Genome Center, which did not come to fruition, and then later transferred back to the grant (May 2014). In January 2016, the Commission approved a fifth year extension to January 10, 2017. MBC is now requesting an additional 6th month extension in order to complete construction of two tower sites located in Montvale (Bedford County) and Saxe (Charlotte County). While the tower work is underway, the additional time is needed due to unanticipated delays associated with heavy work load for MBC Towers and related to the permitting process. Where completion of the tower construction is currently estimated for February 2017, MBC is requesting the six month extension to allow sufficient time for all work to be completed.

Committee recommends approval of a six-month extension to July 10, 2017.

Prince Edward County
Prospect Depot (#2623)

Current Project End Date is 1/8/2017 - 5th year extension request

This \$99,019 grant was awarded in January 2013. A majority of the grant funds, \$93,345 remain in the TRRC project account. The project schedule for construction of the trail head facility at the historic depot has been largely impacted by other agencies involved with the approval to proceed including the Federal Highway Administration, VDOT, VDHR, and VDCR. The original scope of the larger project, total project budget of ~ \$668K, had to be modified when the initial construction bid failed (over budget); and it was only on December 2, 2016, that the County received notification from VDOT that they could proceed with bidding on the revised scope. It is now estimated that completion of the bidding process and the construction activities can be completed within twelve months. Prince Edward County is requesting a 5th year extension to allow this time for the project to be completed. The County has been diligent in providing updates to Commission staff on the status of the project including unanticipated/uncontrollable delays related to the various stages of approvals, through the sharing of quarterly project status reports required under the VDOT Enhancement Program (this is the source of the majority or ~ \$500K of the total project funding).

Committee recommends approval of a one-year extension to January 8, 2018.

Town of Gretna

Gretna Industrial Site Development – Piedmont BioProducts (#2624)

Current Project End date is 1/8/2017 - Revisit possible extension in the spring.

This grant was approved in January 2013 to support construction costs for grading five acres and construction of an 80' X 125' building including paved entrance, concrete loading area, and paved parking lot at the Gretna Industrial Park. This project is for the benefit of the Gretna-based biofuel refinery business, Piedmont BioProducts, who is also the beneficiary for a \$4 million R&D grant (#2638, awarded to Pittsylvania County, also in January 2013). There has been no activity on either grant over the project periods which included fourth year extensions. Commission staff received an email notification on December 7, 2016 from the beneficiary indicating that the project was now moving in a positive direction and asking about another extension. This request was forwarded to contacts with both the Town of Gretna and Pittsylvania County. Given that this was the first update they had received in over a year, the Town and County have indicated to staff the need for additional time to evaluate the project status, and asked that the Commission to be willing to consider an extension on this grant in the spring, when the R&D Committee will also meet to determine whether an extension for #2638 is warranted.

Committee recommends this project remain in active status for consideration of an extension request from the Town in spring 2017.